

**REPORT OF THE AUDIT OF THE  
FORMER MONROE COUNTY  
SHERIFF**

**For The Year Period  
January 1, 2014 Through January 4, 2015**



**MIKE HARMON  
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**EXECUTIVE SUMMARY**

**AUDIT OF THE**  
**FORMER MONROE COUNTY SHERIFF**

**For The Year Period**  
**January 1, 2014 Through January 4, 2015**

The Auditor of Public Accounts has completed the former Monroe County Sheriff's audit for the period January 1, 2014 through January 4, 2015. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

**Financial Condition:**

Excess fees increased by \$19,517 from the prior year, resulting in excess fees of \$29,895 as of January 4, 2015. Receipts decreased by \$4,630 from the prior year and disbursements decreased by \$24,147.

**Report Comments:**

- 2014-001 The Former Sheriff Did Not Deposit Receipts Intact Daily
- 2014-002 The Former Sheriff Did Not Pay Invoices Within 30 Days
- 2014-003 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over Receipts And Disbursements
- 2014-004 The Former Sheriff Did Not Have Adequate Controls Over Payroll Functions
- 2014-005 The Former Sheriff Should Have Implemented Controls Over Equipment Obtained Under The State 1033 Program
- 2014-006 The Former Sheriff Should Deposit Personal Funds For Disallowed Disbursements And Pay Excess Fees To The Fiscal Court

**Deposits:**

The former Sheriff's deposits as of December 18, 2014 were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$572,826

The former Sheriff's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the former Sheriff's deposits in accordance with the security agreement.



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**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Tommy Willett, Monroe County Judge/Executive  
The Honorable Roger Barlow, Former Monroe County Sheriff  
The Honorable Roger Dale Ford, Monroe County Sheriff  
Members of the Monroe County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Sheriff of Monroe County, Kentucky, for the period January 1, 2014 through January 4, 2015, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Audit Guide for County Fee Officials* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Tommy Willett, Monroe County Judge/Executive  
The Honorable Roger Barlow, Former Monroe County Sheriff  
The Honorable Roger Dale Ford, Monroe County Sheriff  
Members of the Monroe County Fiscal Court

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the former Sheriff, as of January 4, 2015, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former Monroe County Sheriff for the period January 1, 2014 through January 4, 2015, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015 on our consideration of the former Monroe County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the former Monroe County Sheriff's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance.



The Honorable Tommy Willett, Monroe County Judge/Executive  
The Honorable Roger Barlow, Former Monroe County Sheriff  
The Honorable Roger Dale Ford, Monroe County Sheriff  
Members of the Monroe County Fiscal Court

**Other Reporting Required by Government Auditing Standards (Continued)**

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2014-001 The Former Sheriff Did Not Deposit Receipts Intact Daily
- 2014-002 The Former Sheriff Did Not Pay Invoices Within 30 Days
- 2014-003 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over Receipts And Disbursements
- 2014-004 The Former Sheriff Did Not Have Adequate Controls Over Payroll Functions
- 2014-005 The Former Sheriff Should Have Implemented Controls Over Equipment Obtained Under The State 1033 Program
- 2014-006 The Former Sheriff Should Deposit Personal Funds For Disallowed Disbursements And Pay Excess Fees To The Fiscal Court

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon  
Auditor of Public Accounts

October 30, 2015

MONROE COUNTY  
 ROGER BARLOW, FORMER SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Period January 1, 2014 Through January 4, 2015

Receipts

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	\$	7,941	
State Fees For Services:			
Finance and Administration Cabinet	\$	65,701	
Sheriff Security Service		<u>1,496</u>	67,197
Circuit Court Clerk:			
Fines and Fees Collected			1,035
Fiscal Court			18,135
County Clerk - Delinquent Taxes			8,044
Commission On Taxes Collected			127,586
Fees Collected For Services:			
Auto Inspections		7,615	
Accident and Police Reports		436	
Serving Papers		14,160	
Carrying Concealed Deadly Weapon Permits		2,580	
Transports		<u>3,222</u>	28,013
Other:			
Add-On Fees		11,369	
School Resource Officer		19,661	
Miscellaneous		475	
Transfers From Drug Account		<u>27,339</u>	58,844
Interest Earned			119
Borrowed Money:			
State Advancement		70,000	
Bank Note		<u>5,500</u>	<u>75,500</u>
Total Receipts			392,414

The accompanying notes are an integral part of this financial statement.

MONROE COUNTY  
 ROGER BARLOW, FORMER SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
 For The Period January 1, 2014 Through January 4, 2015  
 (Continued)

Disbursements

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$ 83,978
Court Security	54,378
School Resource Officer	20,152
KLEFPF Salaries	7,266

Employee Benefits-

Employer's Share Social Security	2,099
Employer's Share Retirement	713

Contracted Services-

Vehicle Maintenance and Repairs	3,554
Advertising Expense	23

Materials and Supplies-

Office Materials and Supplies	967
Uniforms	5

Auto Expense-

Gasoline	31,180
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Other Charges-

Postage	49
Training	197
Miscellaneous	454

\$ 205,015

Debt Service:

State Advancement	70,000	
Notes	5,500	75,500

Total Disbursements \$ 280,515

Less: Disallowed Disbursements-

Gift Purchased	53	
Late Fees	23	76

Total Allowable Disbursements 280,439

Net Receipts 111,975

Less: Statutory Maximum 82,131

Balance Due Fiscal Court at Completion of Audit \$ 29,844

The accompanying notes are an integral part of this financial statement.

MONROE COUNTY  
NOTES TO FINANCIAL STATEMENT

January 4, 2015

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.192 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2014 services
- Reimbursements for 2014 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2014

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MONROE COUNTY  
NOTES TO FINANCIAL STATEMENT  
January 4, 2015  
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

The former Sheriff only paid employer share of retirement on KLEFPF salaries from the fee account. The Sheriff's contribution for KLEFPF salaries for calendar year 2012 was \$748, calendar year 2013 was \$1,192, and calendar year 2014 was \$713.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent for the first six months and 17.67 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

MONROE COUNTY  
NOTES TO FINANCIAL STATEMENT  
January 4, 2015  
(Continued)

Note 3. Deposits

The former Monroe County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The former Monroe County Sheriff did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of January 4, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of December 18, 2014, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the former Sheriff's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured      \$572,826

Note 4. Drug Fund

The Monroe County Sheriff's office established a Drug Fund in February of 1992 with funds received as the result of a drug investigation. These funds are to be used for drug enforcement and education. As of January 1, 2014 the Drug Fund had a balance of \$36,670. During 2014, receipts totaled \$513 and disbursements totaled \$6,441. The former Sheriff transferred an additional \$27,339 to his fee account to be used for operating expenses of the Sheriff's office. As of December 31, 2014, the Drug Fund balance was \$3,403. This balance will be transferred to the current Sheriff's office.

Note 5. Note Payable

On August 15, 2014 the former Sheriff obtained a loan in the amount of \$5,500 for operating expenses. On January 2, 2015, the former Sheriff paid a total of \$5,500 in principal leaving a balance due of \$0.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Tommy Willett, Monroe County Judge/Executive  
The Honorable Roger Barlow, Former Monroe County Sheriff  
The Honorable Roger Dale Ford, Monroe County Sheriff  
Members of the Monroe County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Excess Fees - Regulatory Basis of the former Monroe County Sheriff for the period January 1, 2014 through January 4, 2015, and the related notes to the financial statement and have issued our report thereon dated October 30, 2015. The former Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the former Monroe County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing out opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former Monroe County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the former Monroe County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-001, 2014-003, 2014-004, 2014-005, and 2014-006 to be material weaknesses.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

**Internal Control Over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying comments and recommendations as item 2014-002 to be a significant deficiency.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the former Monroe County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying comments and recommendations as items 2014-001, 2014-002, 2014-004, 2014-005, and 2014-006.

**County Sheriff's Responses to Findings**

The former Monroe County Sheriff's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The former Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon  
Auditor of Public Accounts

October 30, 2015

## COMMENTS AND RECOMMENDATIONS



MONROE COUNTY  
ROGER BARLOW, FORMER SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Period January 1, 2014 Through January 4, 2015

FINANCIAL STATEMENT FINDINGS:

2014-001 The Former Sheriff Did Not Deposit Receipts Intact Daily

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Receipts were not deposited on a daily basis during the period January 1, 2014 through January 4, 2015. Two deposits were made during the period May 12, 2014 through May 21, 2014. These deposits included collections of seven to eight days of receipts. The first deposit made on May 12, 2014 included receipts collected from May 5, 2014 through May 12, 2014. The second deposit was made on May 21, 2014 and included receipts collected from May 13, 2014 through May 21, 2014. We noted the former Sheriff lacked controls over the deposit process and did not provide adequate oversight in this area. KRS 68.210 states the State Local Finance Officer “shall prescribe and shall install, by July 1, 1985, a system of uniform accounts for all counties and county officials.” The *County Budget Preparation and State Local Finance Officer Policy Manual*, under Handling Public Funds Minimum Requirements, states–“Daily deposits intact into a federally insured banking institution.” The more quickly cash and checks are deposited, the less exposure to theft or loss of funds. The former Sheriff should have implemented procedures to ensure receipts were deposited daily in order to meet the requirements established by the Department for Local Government (DLG).

*Former Sheriff's Response: The former Sheriff did not respond.*

2014-002 The Former Sheriff Did Not Pay Invoices Within 30 Days

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Three invoices were not paid within 30 days. As a result, finance charges totaling \$23 were paid to one of the vendors. Good internal controls dictate that the former Sheriff should have monitored disbursements to ensure invoices were paid timely. KRS 65.140 states, “(2) Unless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor’s invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor’s subcontractor. (3) An interest penalty of one percent (1%) of any amount approved and unpaid shall be added to the amount approved for each month or fraction thereof after the thirty (30) working days which followed receipt of vendor’s invoice by the purchaser.”

Finance charges are not an allowable expense of the fee account. We recommend the former Sheriff deposit \$23 of personal funds into his 2014 fee account for these charges.

*Former Sheriff's Response: The Reason the invoices wasn't paid within the 30 days is there wasn't enough money in the Bank Account to pay them with we had to wait til some came in to pay our Bills.*

MONROE COUNTY  
ROGER BARLOW, FORMER SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2014 Through January 4, 2015  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-003 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over Receipts And Disbursements

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Segregation of duties over receipts and disbursements or implementation of compensating controls, when needed because the number of staff is limited, is essential for providing protection to employees in the normal course of performing their duties and can also help prevent inaccurate financial reporting and/or misappropriation of assets.

A lack of segregation of duties existed over the receipt and disbursement functions of the former Sheriff's office because a limited number of employees were available to properly segregate these job duties. Due to illness, the former Sheriff's bookkeeper was on leave for much of the audit period and another employee was assigned her bookkeeping duties. These bookkeepers were responsible for posting all items to the receipt and disbursement ledgers, preparing and signing all checks, performing monthly bank reconciliations, and preparing the financial statements.

To adequately protect employees in the normal course of performing their duties and/or prevent inaccurate financial reporting or misappropriation of assets, the former Sheriff should have separated the duties involving the collection, deposit, and disbursement of cash, preparation of monthly reports and ledgers, and reconciliation of the bank statement to the ledgers. If that was not feasible due to a limited number of staff, strong oversight over those areas should have occurred and should have involved an employee not performing any of those functions. The former Sheriff could also have provided the oversight.

As a result of this lack of oversight, bank reconciliations were not prepared for some months, receipts and disbursements were not accurately recorded, and inaccurate financial statements were prepared.

*Former Sheriff's Response: The former Sheriff did not respond.*

2014-004 The Former Sheriff Did Not Have Adequate Controls Over Payroll Functions

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The following conditions were noted with regard to the former Sheriff's payroll:

- Timesheets were not maintained for two deputies.
- Timesheets were not always signed or initialed by the former Sheriff or an immediate supervisor to document supervisory review.
- Employees did not receive overtime pay for hours worked in excess of 40 hours per week.
- One individual had a time sheet showing that he worked 96 hours for the month of January 2014. This timesheet was signed by the individual and initialed by the former Sheriff; however, this individual was not paid for these hours. On January 15, 2014, he was paid \$61 for contract labor. No other payments were made to this individual during the calendar year.
- One employee's time sheet showed that he worked a total of 64 hours during a pay period but was only paid for 56 hours. Additionally, only 56 hours were included on the employee's Individual Earnings Record.

MONROE COUNTY  
ROGER BARLOW, FORMER SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2014 Through January 4, 2015  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-004 The Former Sheriff Did Not Have Adequate Controls Over Payroll Functions (Continued)

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- One deputy was improperly paid \$225. This error was found by the former Sheriff's bookkeeper, and the check was voided. However, the check was not taken off of the employee's Individual Earnings Record or the disbursements ledger and was subsequently included on the employee's W-2 form as taxable income.
- Three employees were paid both as hourly employees and as contract laborers. Amounts paid as contract labor were not included on the employees' W-2 forms, and no 1099 forms were prepared. No withholdings were deducted and paid from contract labor salaries, and employer's matching amounts were not remitted for retirement and Social Security Taxes.
- One individual was paid a total of \$1,310 as contract labor, but no 1099 was issued.
- One deputy, two constables, a court security officer, and a former deputy were paid for labor from the former Sheriff's personal account. These amounts were not included on W-2 or 1099 forms issued by the county. There were no tax withholdings and no matching retirement and Social Security amounts were paid. When asked about this the former Sheriff stated that he regularly paid expenses related to the operation of the sheriff's office from personal funds when funds were not available in his fee account.

Due to the former Sheriff not maintaining adequate payroll records, he did not comply with federal and state regulations. KRS 337.320(1) requires that, "Every employer shall keep a record of: (a) The amount paid each pay period to each employee; (b) The hours worked each day and each week by each employee; and (c) Such other information as the commissioner requires." In addition, KRS 337.285(1) states, "No employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed."

Individuals can be hired as either an employee or contract laborer but not both. The former Sheriff should have included all compensation paid to employees on the employees' Individual Earnings Records and W-2 forms. If the additional hours worked as contract labor caused the employees to work more than 40 hours per week, the former Sheriff should have paid these employees at the overtime rate for those hours.

A 1099 form should have been issued for the individual hired as contract labor since he received over \$600 for the calendar year. Timesheets signed by the employee and approved by a supervisor should have been maintained for all employees to verify hours worked and document employees are working at least the minimum number of hours to be eligible for full-time benefits such as retirement and health insurance.

*Former Sheriff's Response: I paid (2) Deputy Sheriff's 1 office clerk (2) constables, and a former deputy sheriff I never paid a court security officer some had dual Roles.*

MONROE COUNTY  
ROGER BARLOW, FORMER SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Period January 1, 2014 Through January 4, 2015  
(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-004 The Former Sheriff Did Not Have Adequate Controls Over Payroll Functions (Continued)

*Former Sheriff's Response (Continued): The reason I paid employees bought office equipment / supplies, vehicles, maintenance, gasoline, uniforms. And other things out of my Personal Bank Account was there wasn't enough money in the office to cover everything there was times when myself a clerk and a dispatcher have held our checks for almost two weeks for the money to be there so we could cash our checks. We would hold ours so everyone else could get there's when I took office I took an oath to protect and serve the people of Monroe County so I paid them so when citizens called for help somebody would be there to help them. In 2011 I spent \$4,017.17 in (2012) \$14,810.90 (2013) \$14,614.38 (2014) \$13,947. During my Term I in office I spent out of Pocket \$47,389.45. I never asked to be Reimbursed from my Fee Account or anything else because I knew the money wasn't there and the Fiscal court had given all they was going to Budget for the office everything I spent and what it was for has been filed with my tax person every year I'm not sure if the ones I paid filed there's or Not when I was Sheriff I spent what I had to make the Office Run to Be there for my people.*

2014-005 The Former Sheriff Should Have Implemented Controls Over Equipment Obtained Under The State 1033 Program

Auditors obtained information indicating the former Sheriff received and improperly disposed of numerous items under the State 1033 Program (the program) administered by the Defense Reutilization and Marketing Office (DRMO). This program allows Law Enforcement Agencies (LEAs) to receive supplies and equipment that are excess to the needs of the Department of Defense. In addition, the Secretary of Defense determines the property suitable to be used by such agencies in law enforcement activities, with preference given to counter-drug and counterterrorism activities, under such terms prescribed by the Secretary. These items are made available to Law Enforcement Agencies at no cost to the agency.

Documentation indicated between August 16, 2011 and July 10, 2012, the former Sheriff received several vehicles including six High Mobility Multipurpose Wheeled Vehicles (HMMWVs), pick-up trucks, utility vehicles, sedans, motorcycles, generators, various types of trailers, laptop computers, refrigerators, a meat slicer, an ice machine, desks, luggage, cameras, rifle barrels, and numerous other items. The State DRMO office only maintained records for two years; therefore a complete listing of items received by the former Sheriff's office was not available.

The current Sheriff provided auditors an inventory list of all vehicles and equipment which the former Sheriff turned over to him. This list was signed and dated by the former Sheriff and a deputy on January 5, 2015.



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FINANCIAL STATEMENT FINDINGS: (Continued)

2014-005    The Former Sheriff Should Have Implemented Controls Over Equipment Obtained Under  
The State 1033 Program (Continued)

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This inventory list showed that the current Sheriff received six HMMWVs, three Chevrolet Impala cars, a 1988 Jeep Cherokee, a generator, and a trailer all of which were received by the former Sheriff under the program. The current Sheriff stated that although he did not sign the list, he had reviewed it and verified that all of the vehicles and equipment listed were present except for the generator and trailer. Per the inventory list, the generator and trailer were assigned to the deputy who signed the inventory list. After the auditor inquired about these items, the current Sheriff asked the deputy if he had the items. The deputy stated that he did not have these items but knew the individual that did. The current Sheriff then located the items at that individual's home.

In addition to the inventory list prepared when the former Sheriff left office, there is a signed copy from the Department of Defense Property Inventory Certification dated August 12, 2012. This certification listed numerous items that were not included on the inventory list provided to the current Sheriff. This certification was signed by the former Sheriff and a former deputy assigned oversight of the program for the former Sheriff's office.

Additional information obtained by auditors indicates the former Sheriff received a 2006 Jeep Liberty in December 2012 through the program and transferred it to his wife. Documentation was obtained through the Kentucky Transportation Cabinet's Automated Vehicle Information System (AVIS) which showed that on January 31, 2013, a 2006 Jeep Liberty with an NADA value of \$7,650 was registered to the former Sheriff and his wife. Since an updated listing of items received under the program was not available, additional supporting documentation for this transaction was obtained from the Monroe County Clerk's office. Per the application for Kentucky Certification of Title or Registration on file in the County Clerk's office, this vehicle was received from an Air Force Base in South Carolina through this program. This document also indicated the former Sheriff paid \$3,538 for the vehicle and \$212 in usage taxes on January 31, 2013. However, no funds were deposited to the former Sheriff's fee account for the sale of this vehicle.

On April 24, 2015, auditors met with the former Sheriff to discuss these allegations. The former Sheriff initially told auditors that he was only aware of vehicles and a few other items received under the program. To his knowledge, these were all included on the inventory list prepared and provided to the current Sheriff. Auditors presented him with the signed certification and attached list of items received by his office to review. After reviewing the list, the former Sheriff stated he was not aware of most of the items listed having been received. After further questioning, the former Sheriff told auditors he had received the 2006 Jeep Liberty under the program and sold it to his wife for \$1. The former Sheriff later provided a packet of documentation which included a signed statement to auditors stating that he had received a 2006 Jeep Liberty from the program in December 2012 and as of January 2, 2015 was selling it to his wife for \$1. Other documentation included in the packet indicated that several items received under the program had been turned over to constables, fire departments, other individuals, and businesses.

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2014-005 The Former Sheriff Should Have Implemented Controls Over Equipment Obtained Under The State 1033 Program (Continued)

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Several vehicles, including six HMMWVs, a Ford pickup truck, and two full size Blazers, were located at the County Road Department. The pickup truck and Blazers are being used by the county's road department. The current Sheriff confirmed he has possession of the three Chevrolet Impalas received under the program. The current Sheriff also stated he received the 1988 Jeep and a large tanker truck but, with fiscal court approval, sold and/or traded them for cash and other vehicles. Also, there were several old laptop computers and various other small items in storage at the courthouse. However, since these items were not properly inventoried, it is unknown if these were items received under the DRMO program.

Terms and Conditions of the Memorandum of Agreement (MOA) between the State of Kentucky DRMO office and the Monroe County Sheriff's Office include the following:

- Law Enforcement Agency (LEA) Eligibility Criteria: Must be a "law enforcement activity" whose primary function is enforcement of applicable Federal, State, and local laws as defined in DLA regulation (this is referring to DLA Directive (DLAD) 4160.10 which will be superseded by the One Book) and whose compensated officers have powers of arrest and apprehension.
- Security of Property: It is the responsibility of the gaining State/LEA to safeguard all property received under the 1033 Program. Should any property become lost due to theft, destruction, or unauthorized sale/disposal, this information must be forwarded to the State Coordinator within seven (7) working days after the incident. If the property has a Demilitarization code of C, D, E, F, or G it must be reported within 24 hours. The State coordinator will contact the Law Enforcement Support Office (LESO) for additional guidance.
- Accountability of Property: Each LEA and the State must maintain records for all property acquired through the 1033 program. These records must provide an "audit trail" for individual items of property from receipt to distribution. These documents include but are not limited to the following: DRMS Form 103 with all justifications or printouts of automated requests, DD Form 1348 (receipt and turn-in), all disposal and transfer paperwork, approved Bureau of Alcohol, Tobacco, and Firearms (ATF) Form 10s, Certification of Aircraft Registration (AC Form 8050-3), Aircraft Registration Application (AC-Form 8050-1, and any pertinent paperwork through LESO. The records maintained must satisfy any and all pertinent requirements under its applicable State statutes and regulations for the program and this property.
- Utilization of Property: Property received through the 1033 Program must be placed into use within one (1) year of receipt and utilized for a minimum of one (1) year, unless the condition renders it unusable. If property is not placed in use within one (1) year of receipt, it must be transferred to another authorized agency, or returned to a DRMO. Property returns/turn-ins must be coordinated through the applicable State Coordinator and LESO.
- Transfer of Property: LEAs must coordinate, in writing, transfer of 1033 property through their State Coordinator.
- Disposal of Property: LEA must request approval, in writing, from their State Coordinator before any 1033 property is disposed. If approved a "LESO disposal approval memo" will be sent to the State Coordinator.

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FINANCIAL STATEMENT FINDINGS: (Continued)

2014-005    The Former Sheriff Should Have Implemented Controls Over Equipment Obtained Under  
The State 1033 Program (Continued)

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The MOA also states Law Enforcement Agencies (LEAs) will:

- Control and maintain accurate records on all property obtained under the program. These records must provide an “audit trail” for individual items of property from receipt to distribution.
- Comply with the terms, conditions, and limitations applicable to property transferred pursuant to this plan/program.
- Conduct periodic review to include physical inventory/spot checks of actual property and related records. Ensure compliance with the applicable MOA/MOU and/or the State Plan of Operation.
- Obtain reconciliation reports from the State Coordinator and conduct monthly and annual reconciliations. Provide reconciliation results to the State Coordinator.
- Conduct inventory reconciliations and provide inventory reconciliation results electronically to the State Coordinator within 10 working days of the monthly or annual reconciliation process. Maintain a signed copy of all reconciliation documentation received through the 1033 Program.
- Submit disposal, transfer, and inventory adjustment requests to the State Coordinator.

The former Sheriff’s office was not in compliance with the terms and conditions of the MOA. Property received under the 1033 Program should not have been transferred to organizations, individuals and/or businesses which do not have compensated officers with the powers of arrest and apprehension. Records providing an audit trail were not maintained, and there was no evidence that the former Sheriff’s office had requested or received any approvals for disposal of items received under the program. Additionally, no evidence was on file to indicate the former Sheriff’s office had prepared, submitted, and maintained copies of the required reconciliations.

The above conditions resulted from the lack of proper controls and monitoring by the former Sheriff of the DRMO program and inventory. Without proper controls over the inventory process, equipment and vehicles received under the program by the former Sheriff’s office were exposed to a higher risk of theft and/or fraud and the disposition of many of the received items cannot be determined. The former Sheriff’s office should have complied with the terms and conditions of the MOA by maintaining proper inventory records for all items received from the State 1033 Program, obtaining written approvals for all items disposed of, conducting inventory reconciliations, and ensuring equipment and supplies received under the program were, with written approval, transferred only to LEAs whose primary function is enforcement of applicable Federal, State, and local laws as defined in DLA regulation 4160.10 whose compensated officers have powers of arrest and apprehension.

This matter will be referred to the Kentucky State Police and Federal Bureau of Investigation.

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(Continued)

FINANCIAL STATEMENT FINDINGS: (Continued)

2014-005    The Former Sheriff Should Have Implemented Controls Over Equipment Obtained Under  
The State 1033 Program (Continued)

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*Former Sheriff's Response: I know as former Sheriff I had the Responsibility of my Office and Personnel In regards to the DRMO equipment that is mentioned in the Paragraph. I had a certified and trained Deputy Sheriff that I put in full control of the DRMO program because he was more familiar with the program because the department he left was using the same program This deputy at that time I fully trusted to do a great job with the program He handled all the paper work phone calls and texts to Arrange Property Release and Pick up to State Coordinator the following list is all the Equipment that I was aware of my Department Receiving (6) Humvees (3) Impala Patrol Cars (2) pickup trucks (2) Chevrolet Blazers (1) Fuel Tanker Truck (1) Jeep Cherokee (1) Jeep Liberty (6) generators, binoculars, 5 or 6 Black jackets. A few laptops most didn't work Red and Blue Light bars and a few other office supplies. On April 24, 2015 I met with the auditors they showed me a list of items that had been gotten Between August 16, 2011 thru July 10, 2012 there was things on this list that I have never heard of or never seen and knew anything about My office never paid to have anything shipped or paid anyone to go pick up anything such as the items that was listed on the Documentation that the Auditors had. They also showed me a Confirmation sheet that had my signature the only time I saw this Form was once a year when I signed it to confirm I still had the Humvees and also had to send pictures with it of the Humvees to the State Coordinator at KSP Headquarters in Frankfort. The 2006 Blue Jeep Liberty in Question it was obtained in December 2012 I paid \$400 to have it delivered from South Carolina to Monroe County. When it was received it wouldn't run the interior was torn to pieces had a busted windshield battery was gone outside was scratched really bad I replaced all the things that was Wrong with it new battery, windshield, new seats and plastic on the inside and had it painted. After we got it running I went and ask county judge about licensing and insuring it his statement to me was that he wasn't going to license or insurer anymore vehicles in the counties name. In January 2013 I drove the jeep during the snowy and icy days because it was a 4x4 in installed emergency equipment in it so we could make calls if the weather was Bad. I took it upon myself to license and insurer it in my name so we could use it if needed in February 2013 I issued the Jeep to my wife to drive because she was always working and helping out and Running errands going and getting supplies around and for the office and I didn't have her on the payroll. I spoke to the deputy in charge of the program before he left my Department about the Surplus Equipment and he stated that after the (2) years was over it was up to me to do whatever I wanted to Sale or give it to another department for use he stated that everything we had was off the Books and could be done with whatever I felt was necessary with the exception of the Humvees.*

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FINANCIAL STATEMENT FINDINGS: (Continued)

2014-005 The Former Sheriff Should Have Implemented Controls Over Equipment Obtained Under The State 1033 Program (Continued)

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*Former Sheriff's Response (Continued): On January 2, 2015 I sold the Jeep Liberty to my wife for \$1. I spent approximately \$1,500 and still needs about \$2,200 worth of work on the motor on the jeep when I left office the dollar bill was stapled to a document explaining what I did. The auditors stated they hadn't seen it or nobody knows where it went. The reason I agreed to get in this program was to help get some newer patrol cars for the county so we would be better equipped when an emergency arose at no Cost to the Tax Payers I knew the office couldn't afford to buy any. As For the Other Equipment other than what I put in my Response I have no Knowledge of it or it's where bout's all I had is what was turned over to the Current Sheriff the auditors told me that what they have Read and seen is that the Equipment wasn't to be gotten rid of unless approved by the KSP coordinator if that is true I will give the jeep back and loose what I have spent on it. I've been out of office almost 9 months it's took me this long to find all of this out I'm not sure what has happened to the Equipment I left at the sheriff's office I do know that the 1988 Jeep Cherokee has been Sold or Traded.*

2014-006 The Former Sheriff Should Deposit Personal Funds For Disallowed Disbursements And Pay Excess Fees To The Fiscal Court

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The former Sheriff should deposit personal funds for disallowed disbursements and pay excess fees to the fiscal court. The former Sheriff expended \$53 from the fee account for a gift and \$23 on finance charges during the year. Furthermore, excess fees for the year were not turned over to the fiscal court. In Funk v. Milliken, 317 S.W.2d 499 (Ky. 1958), Kentucky's highest court ruled that county fee officials' expenditures of public funds will be allowed only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not primarily personal in nature.

KRS 64.830 requires an outgoing county official, as soon as his successor has been qualified and inducted into office and his official bond approved, to immediately vacate his office, deliver to his successor all books, papers, records and other property held by virtue of his office, and make a complete settlement of his accounts as a county official. Each outgoing county official is required to make a final settlement with the fiscal court of his county by March 15th immediately following the expiration of his term of office for all money received by him as a county official and to obtain his quietus, and immediately thereafter deliver these records to the incumbent county official.

Good internal controls dictate the former Sheriff should have monitored disbursements to ensure they were necessary and beneficial to the public and that excess fees were turned over in a timely manner. We recommend the former Sheriff deposit \$76 from personal funds to his 2014 fee account for the disallowed disbursements and pay total excess fees of \$29,844 to the Fiscal Court.

*Former Sheriff's Response: The former Sheriff did not respond.*

